



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY
 DENNIS C. PROUTY, DIRECTOR
 IOWA STATE CAPITOL
 DES MOINES, IA 50319
 515.281.3566
 Fax: 515.281.8027
dennis.prouty@legis.state.ia.us

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

FISCAL SERVICES
 HOLLY M. LYONS

COMPUTER SERVICES
 GLEN P. DICKINSON

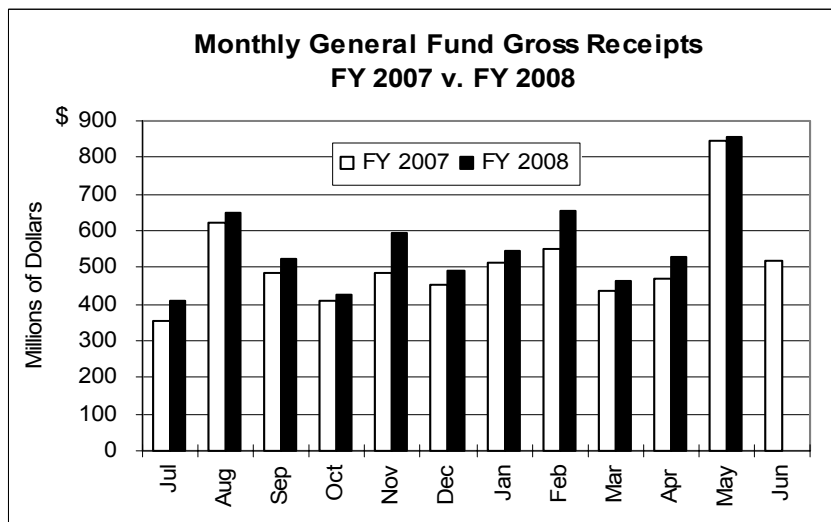
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: June 2, 2008

Monthly General Fund Receipts through May 31, 2008

The attached spreadsheet presents year-to-date FY 2008 General Fund receipts with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.678 billion set by the Revenue Estimating Conference (REC) on April 4, 2008. The FY 2008 estimate is an increase of \$540.2 million (8.8%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The next REC meeting has not been scheduled.



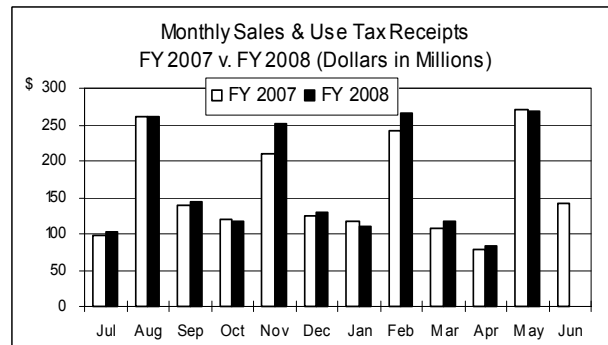
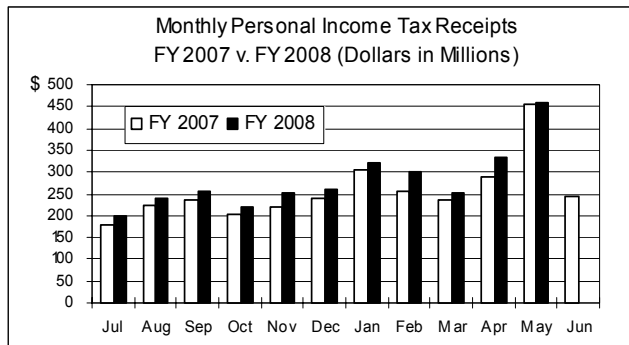
FY 2008 Compared to FY 2007

Fiscal year to date total gross cash receipts increased \$523.1 million (9.3%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$251.6 million, 8.8%)
- Sales/Use Tax (positive \$77.3 million, 4.4%)
- Corporate Tax (positive \$43.0 million, 11.4%)
- Other taxes (positive \$127.5 million, 42.5%)
- Other receipts (positive \$24.1 million, 7.3%)

Personal Income Tax revenues received in May totaled \$457.6 million, an increase of \$3.4 million (0.7%) compared to May 2007.

The FY 2008 REC Income Tax estimate of \$3.344 billion represents a projected increase of 8.4% compared to actual FY 2007. Year-to-date, total Income Tax receipts increased 8.8%. By subcategory, withholding payments increased \$146.5 million (6.8%), estimate payments increased \$46.8 million (13.8%), and payments with returns increased \$58.3 million (16.2%). The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/Use Tax receipts received in May totaled \$267.6 million, a change of \$ - 3.1 million (- 1.1%) compared to May 2007.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$2.000 billion, an increase of 4.7% compared to actual FY 2007. Through May, FY 2008 Sales/Use Tax receipts have increased 4.4%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate Tax receipts received in May totaled \$54.8 million, a change of \$ - 0.3 million (- 0.5%) compared to May 2007.

The REC estimate for FY 2008 Corporate Tax revenue is \$468.1 million, an increase of 10.2% compared to actual FY 2007. Through May, FY 2008 Corporate Tax receipts have increased 11.4%.

Other tax receipts received in May totaled \$51.1 million, a \$9.2 million (22.0%) increase compared to May 2007. The Insurance Premium tax contributed \$8.5 million to the increase while the Cigarette and Tobacco taxes accounted for \$0.8 million of the increase. The REC estimate for other tax receipts is \$490.5 million, an increase of 34.8% compared to actual FY 2007. Through May, FY 2008 other tax receipts have increased 42.5%.

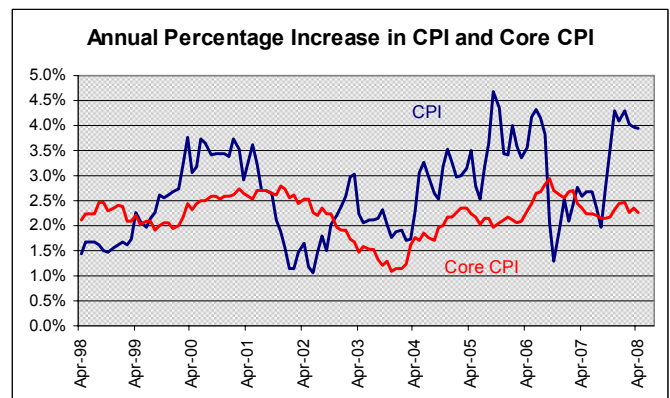
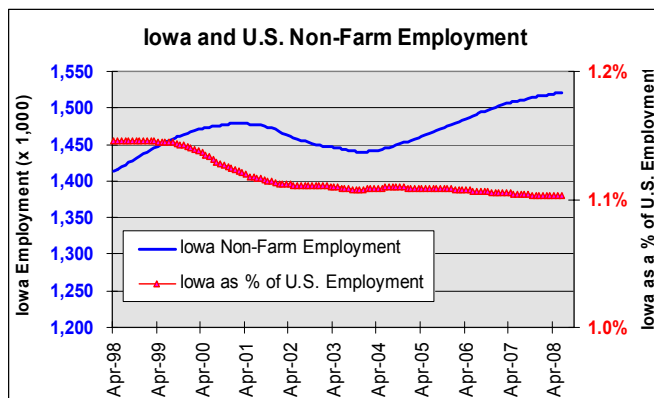
Other receipts (non-tax receipts) received in May totaled \$22.7 million, a change of \$ - 0.2 million (- 0.9%) compared to May 2007. Fee revenue accounted for \$ - 2.2 million of the decrease.

The REC estimate for FY 2008 other receipt revenue is \$376.4 million, an increase of 6.4% compared to actual FY 2007. Through May, other receipts increased 7.3%.

Status of the Economy

Iowa non-farm employment was reported at 1,528,800 for the month of April (not seasonally adjusted), 12,100 higher (0.8%) than April 2007.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,520,800 so annualized Iowa non-farm employment is 42,100 above its 2001 peak and 80,900 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002 but the trend remains negative.



Consumer prices increased 0.6% during April (not seasonally adjusted). The Consumer Price Index (CPI-U) through April 2008 was 214.8 (1983/84=100). The year-over-year change of 3.9% in April is the first month since October 2007 below 4.0%. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased slightly in April and stands at 2.3% in the year-over-year comparison. The core inflation rate declined considerably from the early 1990's through March 2004. The core inflation rate has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices are up 15.9% and food prices are up 5.0% year-over-year, its highest rate since 1990.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through May 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	May % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 2,843.5	\$ 3,095.1	8.8%	0.7%	\$ 3,085.9	\$ 3,343.8	8.4%
Sales/Use Tax	1,768.4	1,845.7	4.4%	-1.1%	1,910.1	1,999.6	4.7%
Corporate Income Tax	376.8	419.8	11.4%	-0.5%	424.6	468.1	10.2%
Inheritance Tax	70.2	69.8	-0.6%	2.7%	76.0	76.0	0.0%
Insurance Premium Tax	78.5	84.8	8.0%	97.7%	105.2	115.1	9.4%
Cigarette Tax	98.1	207.8	111.8%	6.0%	122.0	228.0	86.9%
Tobacco Tax	10.7	19.5	82.2%	-13.0%	12.1	20.1	66.1%
Beer Tax	12.8	13.1	2.3%	9.1%	14.3	14.5	1.4%
Franchise Tax	28.7	31.5	9.8%	-14.0%	33.3	35.8	7.5%
Miscellaneous Tax	0.9	0.9	0.0%	200.0%	1.0	1.0	0.0%
 Total Special Taxes	 \$ 5,288.8	 \$ 5,788.0	 9.4%	 1.2%	 \$ 5,784.5	 \$ 6,302.0	 8.9%
 Institutional Payments	 11.7	 13.4	 14.5%	 7.7%	 12.9	 12.8	 -0.8%
Liquor Profits	57.5	64.9	12.9%	4.2%	64.8	70.5	8.8%
Interest	28.1	24.9	-11.4%	-71.4%	28.7	27.0	-5.9%
Fees	79.6	75.3	-5.4%	-53.7%	84.7	78.8	-7.0%
Judicial Revenue	59.9	81.3	35.7%	42.2%	66.9	89.5	33.8%
Miscellaneous Receipts	32.6	33.7	3.4%	-4.0%	35.7	37.8	5.9%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 5,618.3	 \$ 6,141.4	 9.3%	 1.1%	 \$ 6,138.2	 \$ 6,678.4	 8.8%